



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

*Replaced by AN No. 2004 (1951)
6-20-90*

FmHA AN No. 2036 (1951)

January 9, 1990

SUBJECT: Revision of Farmer Program Management and Servicing
Goals through June 30, 1990

TO: State Directors and State Directors-at-Large, FmHA

PURPOSE/INTENDED OUTCOME

This AN clarifies the goals and reporting requirements for FmHA's Farmer Program Management and Servicing Goals for FY 1990.

COMPARISON WITH PREVIOUS AN

Attachment A (Revision 1) of this AN replaces Attachment A of FmHA AN 1994 (1951) dated October 13, 1989, which expires on September 30, 1990.

IMPLEMENTATION RESPONSIBILITIES

State Directors and Farmer Program Chiefs should immediately review the revised goals and make plans for training, implementing, and measuring the results of these efforts.

SUMMARY OF REVISIONS

The Farmer Program Management and Servicing Goals have been modified as follows:

Goal 7 was modified to give States credit for outstanding guaranteed lines of credit and to not count insured FO loans made to SDA applicants when determining goal achievement.

Goal 11 was modified to clarify that the reduction in inventory property was to be 80 percent of the inventory property level on hand as of June 30, 1989, as shown in the attached Exhibit C and to clarify the basis on which to determine goal achievement.

EXPIRATION DATE: September 30, 1990

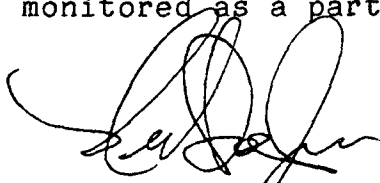
FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-A.



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Goal 12 was modified to change the basis for establishing the target number of farms for the SDA program to the November 30, 1989, semi-annual report to Farmer Programs.

The reporting requirement was increased from semi-annually to quarterly at the request of the Deputy Under Secretary for Small Community and Rural Development so that goal achievement could be monitored as a part of the Under Secretary's Management Meetings.



NEAL SOX JOHNSON
Acting Administrator

Attachments

Sent by Electronic Mail on (date) 1/11/90 at (time) 10:42 am
by ASD. The State Directors should advise other personnel as
appropriate.

Attachment A
(Revision 1)FARMER PROGRAMS MANAGEMENT AND SERVICING
GOALS THROUGH JUNE 30, 1990

The Acting Administrator has identified these goals as the priority items to be accomplished by the field staff in FY 1990. Goal achievement will be a consideration as part of State Director and Farmer Program Chief performance evaluations.

I. LOAN SERVICING

FmHA personnel must make every effort to help farmers resolve their financial problems. County Supervisors and District Directors must fully utilize all appropriate servicing and supervisory tools to assist borrowers to succeed.

- A. We have now successfully moved the first group of delinquent borrowers through the initial notification and calculation process of primary loan servicing, but have just begun to process those borrowers, along with those who did not respond, through the preservation provisions of the regulations. We have a great deal of work to complete the job with these borrowers, and have just sent notices to the new delinquent borrowers.

The legislatively established timeframes in which to complete servicing actions required by the act will require that all resources available be utilized to meet the increased work load. You should make maximum use of the computerized programs (DALR\$ and SENT) to assist with the management of the task at hand to insure that the work is done correctly and on time as required by the regulations.

We will be closely monitored by Interest Groups, OIG, and Congress to assure that the job is done consistent with regulations and within the timeframes established in the legislation. We are advising members of Congress that we may have to exceed the 60 days set forth in the law for processing an application for loan servicing in those cases where the farming cycle has not been completed.

A specific goal on accomplishments relating to carrying out the Agricultural Credit Act of 1987 is not established because of specific performance criteria in the legislation and regulation. Progress will be monitored by the National Office through Farmer Programs management reports and special reviews.

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- B. GOAL 1: By June 30, 1990, each State Office will reduce the number of its Collection Only (CO) accounts by 80% of the total Farmer Programs CO accounts (total unduplicated number less Rural Housing accounts) noted on the quarterly Report Code (RC) 643, dated as of June 30, 1989. Any account reclassified to CO status, prior to June 30, 1990, will be counted as a CO account when determining goal achievement.

Goal achievement will be monitored by dividing the number of CO accounts reported on RC 643, on June 30, 1990, by the number of accounts reported on the June 30, 1989 RC 643.

- C. GOAL 2: Graduate, by June 30, 1990, 5% of the active borrowers on June 30, 1989. Goal achievement will be determined by dividing the total borrowers graduated, listed on the "Farmer Programs Graduation Report Month Ending June 30, 1990," by the number of active Farmer Program borrowers, listed on the June 30, 1989, RC 541.

- D. GOAL 3: Seventy-five percent of the borrowers who have received the required 180 delinquency Notice (Exhibit A, Attachment 1 of 1951-S) as of October 1, 1989, but whose accounts have not been resolved through primary loan servicing (including buyout at net recovery value), will be processed through acceleration by June 30, 1990.

This will be measured by dividing the number of borrowers described above who have been accelerated to date, by the total number of borrowers described above; as reported to the National Office on January 19, April 13, and July 6, 1990, on Attachment A, Exhibit A. Borrowers who have paid current or paid in full should not be counted.

II. CREDIT QUALITY

- A. GOAL 4: State Directors or their designee(s) will pre review or post review at least 15% of all annual and interim farm budgets used as a basis for Farmer Programs loans approved in the County Offices for FY 1990. This includes initial and subsequent loans, insured and guaranteed, approved by County Office officials from October 1, 1989, through June 30, 1990. Samples will be obtained from Form FmHA 1905-4. The first loan approved and every sixth loan approved, thereafter, will be post reviewed.

The primary purpose of these reviews will be to analyze the farm budgets and determine if feasible plans were projected at the time loans were approved, whether realistic production

levels, supportable income and operating expenses were used, and whether complete documented analyses were conducted for indebted FmHA borrowers receiving subsequent loans.

Each docket review will specifically determine whether or not:

- 1) A feasible plan was projected at the time the loan was approved. For insured loans, a feasible plan is defined in FmHA Instruction 1924-B, Section 1924.57(c)(5). FmHA Instruction 1941-A, Section 1941.14(a)(5) defines what is required for annual production loans to delinquent borrowers. A positive cash flow for guaranteed loans is defined in FmHA Instruction 1980-B, Section 1980.106(b)(17). FmHA Instruction 1980-B, Exhibit D, III. C. defines a positive cash flow under the Interest Rate Buydown Program.
- 2) Income, expense and yield projections were documented in accordance with FmHA Instruction 1924-B, Section 1924.57(d) for insured loans, and FmHA Instruction 1980-B, Section 1980.113(d)(8) for guaranteed loans.
- 3) A complete year-end analysis was performed for insured borrowers receiving subsequent loans, as set forth in FmHA Instruction 1924-B, including:
 - a) Completion of the "actual" columns on Form FmHA 431-2 and reconciliation of the balance available with debts paid and cash on hand at the end of the year.
 - b) Recording of the results on Form FmHA 1960-12, "Financial Farm Analysis Summary."
 - c) Thorough documentation of the analysis in the running case record (i.e., key management problems identified, agreements reached with the borrower for corrective action, and follow-up action required).

Quarterly reports to be sent to the N.O. by January 19, 1990, April 13, 1990, and July 6, 1990, reflecting activity as of December 31, 1989, March 31, 1990, and June 30, 1990, will include the unduplicated borrower or applicant farm budget review count. Since some applicants or borrowers could have received several types of FmHA loans, we recommend District

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Directors be given the responsibility of obtaining the data for the unduplicated semi-annual reporting requirements from their respective County Offices. This data is available from Form FmHA 1905-4, "Application and Processing Card-Individual." District Directors will forward this information to their State Office, where it will be consolidated and forwarded to the N.O.

Goal achievement will be determined by dividing the Number of Budgets reviewed, that were developed for initial or subsequent loans processed in FY 1990, by the number of loans obligated in FY 1990.

- B. GOAL 5: The National Office (N.O.) will request that a certain percentage of insured and guaranteed loan files be submitted to the Farmer Programs Loan Making Division (FPLMD) in Fiscal Year (FY) 1990 for a credit quality review. Files reviewed by the N.O. in FY 1989 showed that only 41 percent had been adequately completed concerning the above three items. All States will have a goal of not less than 90 percent compliance as a combined average for items 1, 2 and 3 of the Credit Quality Section of this AN.

III. USE OF LOAN FUNDS

The primary objective is to require FmHA applicants/borrowers to obtain as much credit as possible from other sources before an insured loan is made. Farmer Programs funding levels for FY 1990 will continue to emphasize the shift toward guaranteed loans. Every effort possible must be made to get first time applicants financed with guaranteed loans.

Refinancing of debts should be done only with the guarantee authorities, or when it is absolutely necessary to develop a feasible plan to keep a farmer in business. Use of proceeds from normal income security to make payments scheduled to be made to other creditors must be documented on Form FmHA 1962-1.

Rollover of annual production loans is prohibited. The Congress authorizes funding levels, and roll-overs have the effect of providing more Government assistance than is authorized by the Congress.

FmHA regulations require documentation, in borrower case files, of the inability to obtain a guaranteed loan as a part of the test for other credit. The objective of this requirement is to make sure we use guaranteed loan authorities to the maximum extent possible.

- A. GOAL 6: Each state will take the steps necessary to limit its use of insured loan funds for FY 1990 to the amount of insured funds initially allocated to the state. The objective of this goal is to insure that each State makes a concerted effort to see that FY 1990 credit for applicants and borrowers is obtained, to the greatest extent possible, through the use of FmHA's guarantee program, subordination authorities, and emergency (EM) loan authorities for eligible applicants in disaster designated areas. The goal will be monitored by using RC 205 and FmHA Instruction 1940-L, Exhibit A, Attachment 1.
- B. GOAL 7: Exhibit B to this Attachment reflects the total of FY 1989 Guaranteed FO, OL, and the past 2 fiscal years Outstanding Line of Credit obligations as a percentage of the total Insured and Guaranteed FO and OL obligations and the past 2 fiscal years Line of Credit obligations. A goal has been established that the National Average for Guaranteed FO, OL, and the past 2 fiscal years Line of Credit obligations for FY 1990 will be 73 percent as of June 30, 1990. Essentially, the individual state goals are an increase of 5 percent over FY 1989 levels. States with FY 1989 levels between 68 and 73 percent are requested to increase their level to 73 percent. States with a percentage of more than 73 percent are requested to maintain their FY89 levels. States with a percentage less than 68 percent are requested to increase their FY89 levels by 5 percent. Insured FO loans made to SDA applicants will not be counted in the insured obligations total when computing goal achievement. (See Exhibit B Attached).
- C. GOAL 8: Each state will obligate all of the FY 1990 FO funds allocated for Socially Disadvantaged SDA groups by June 30, 1990.
- This goal will be monitored by using RC 205C. The SDA FO dollars obligated will be divided by the (SDA) FO dollars allocated to determine the goal achievement.
- D. GOAL 9: Seventy percent of all active, unduplicated, Farmer Program borrowers will have an automated Farm and Home Plan completed by June 30, 1990. On December 31, 1989, March 31, 1990, and June 30, 1990, each County Office should determine the number of borrowers using an automated Farm and Home Plan. This is easily accomplished by typing the following at the UNIX prompt:

```
cd (space) /usr/sp_datafiles/fhp
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Hit return. Then type:

ls (space) -l (space) (space) lp

Note: New instructions for this procedure will be issued when the redesigned, ORACLE version of the Farm and Home Plan has been installed on all systems. Please refer to these instructions as needed.

The designated printer will print a list of all FP borrowers using the automated Farm and Home Plan. The County Office should count the number of rows listed on the output. Count only those plans updated since September 1, 1989. If a borrower has both an A (archive) and W (working) file, count him only once. The number of borrowers with an Automated Farm and Home Plan can not exceed the number of active borrowers. This number will be forwarded to the State Office for submission of a combined report to the National Office.

On January 19, April 13, and July 6, 1990, the State Offices will report to the National Office, using Exhibit A, the total number of borrowers using an automated Farm and Home Plan.

The total number of borrowers, with an automated Farm and Home Plan, will be divided by the total number of Active Borrowers, listed on the September 1, 1989, RC 541 report. This will determine the percentage of borrowers with an automated Farm and Home Plan.

- E. GOAL 10: Each State will process at least one Guaranteed FO loan to members of Socially Disadvantaged Groups. On January 19, April 13, and July 6, 1990, the State Offices will report to the National Office, using Exhibit A, the number of Guaranteed loans made to SDA's as of December 31, 1989, March 31, 1990, and June 30, 1990.

IV. FARM INVENTORY PROPERTY MANAGEMENT

The acquisition, management and sale of FmHA farm inventory properties must continue to be administered in a manner that is in the best interest of the Government while taking into consideration the expanded authorities set forth in the Agricultural Credit Act of 1987 Regulations.

- A. GOAL 11: The goal is to reduce by 80 percent the number of inventory farm properties held on June 30, 1989, by June 30, 1990. Any additional farms acquired will not be counted against the goal. The target number of farms to be sold will equal the number of inventory farms (as of June 30, 1989)

minus the number of farms leased (as of June 30, 1989) times .8, as shown on Exhibit C. The target number of farms to be sold will be compared with the actual number of farms sold that were in inventory on June 30, 1989. The number of farms sold (suitable and surplus) will be taken from the FOCUS ACQD data file to monitor progress.

The targeted inventory farm properties still in inventory as of December 31, 1989, March 31, 1990, and June 30, 1990, less those properties leased since June 30, 1989, will be used to monitor progress in reaching the goal. Section 1955.66 of FmHA Instruction 1955-B, states that leasing may be used as a management tool when it is clearly in the best interest of the Government. Therefore, leasing of inventory farms will be limited to leaseback/buyback borrowers, socially disadvantaged borrowers and in cases where it is clearly in the financial interest of the Government.

- B. GOAL 12: Each State to sell or lease at least 80% of farms targeted for Socially Disadvantaged Applicants. Only suitable farms meeting requirements outlined in Farmers Home Administration Instruction 1943-A, Section 1943.24, "Special Requirements," and having all preservation loan servicing rights exhausted are to be targeted.

The number of targeted farms will be multiplied by .8 to determine the number of farms to be sold or leased in each state. The number of farms actually sold or leased to SDAs will then be divided by the goal to measure goal achievement.

The number of farms targeted for SDAs will be obtained from the semi-annual report submitted to Farmer Programs, Emergency Designation Staff, on November 30, 1989 in accordance with Unnumbered Letter dated June 1, 1989. The number of targeted farms sold or leased to SDAs will be reported on Exhibit A of this Attachment on January 19, April 13, and July 6, 1990.

FARMER PROGRAM MANAGEMENT AND SERVICING GOALS
THROUGH JUNE 30, 1990

This report must be received by the National Office, Farmer Programs, Program Development Staff (Telemail Box NO.PDS) on January 19, April 13, and July 6, 1990. Response to items 1 (GOAL 3) and 3 (GOAL 9) will be cumulative. All other responses should NOT be cumulative. Only include activity occurring during the specified time period.

STATE: _____

DATE PREPARED: _____

1. Acceleration of delinquent borrowers (GOAL 3).

Borrowers sent Notices prior to 10/1/89 who have not been resolved:

By 12/31/89By 3/31/90By 6/30/90

Of those above, Number Accelerated:

By 12/31/89By 3/31/90By 6/30/90

2. Post review of farm budgets (GOAL 4).

a) Number of annual budgets completed for new loans during the period:

Insured Loans
10/1/89 - 12/31/89

Insured Loans
1/1/90 - 3/31/90

Insured Loans
4/1/90 - 6/30/90

Guaranteed Loans
10/1/89 - 12/31/89

Guaranteed Loans
1/1/90 - 3/31/90

Guaranteed Loans
4/1/90 - 6/30/90

b) Number of budgets prereviewed or post reviewed during period:

Insured Loans
10/1/89 - 12/31/89

Insured Loans
1/1/90 - 3/31/90

Insured Loans
4/1/90 - 6/30/90

Guaranteed Loans
10/1/89 - 12/31/89

Guaranteed Loans
1/1/90 - 3/31/90

Guaranteed Loans
4/1/90 - 6/30/90

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3. Total number of active, unduplicated, Farmer Program borrowers with an automated Farm and Home Plan (GOAL 9).

<u>Total as of</u> 12/31/89	<u>Total as of</u> 3/31/90	<u>Total as of</u> 6/30/90
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4. Processing of Guaranteed FO loans to members of Socially Disadvantaged Groups (GOAL 10).

Number of guaranteed loans processed for SDAs:

<u>10/01/89</u> thru 12/31/89	<u>1/01/90</u> thru 3/31/90	<u>4/1/90</u> thru 6/30/90
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5. Sale and lease of targeted farms to SDAs (GOAL 12).

a) Number of farms sold to SDAs:

<u>10/01/89</u> thru 12/31/89	<u>1/01/90</u> thru 3/31/90	<u>4/1/90</u> thru 6/30/90
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b) Number of farms leased to SDAs:

<u>10/01/89</u> thru 12/31/89	<u>1/01/90</u> thru 3/31/90	<u>4/1/90</u> thru 6/30/90
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Guaranteed Farmer Program Obligations
as a Percentage of the Set Guaranteed
and Insured OL and FO Obligations

<u>State</u>	<u>Actual- FY 1989</u> <u>as of 8/17/89</u>	<u>Goal- FY 1990</u> <u>as of 6/30/90</u>
Alabama	61.3%	66.3%
Arizona	61.4%	66.4%
Arkansas	76.9%	76.9%
California	67.4%	72.4%
Colorado	67.7%	72.7%
Connecticut	44.0%	49.0%
Delaware	66.0%	71.0%
Florida	65.8%	70.8%
Georgia	69.3%	73.0%
Idaho	68.9%	73.0%
Illinois	81.1%	81.1%
Indiana	55.3%	60.3%
Iowa	69.6%	73.0%
Kansas	74.7%	74.7%
Kentucky	56.6%	61.6%
Louisiana	79.9%	79.9%
Maine	9.9%	14.9%
Maryland	76.5%	76.5%
Massachusetts	34.6%	39.6%
Michigan	79.5%	79.5%
Minnesota	68.5%	73.0%
Mississippi	47.5%	52.5%
Missouri	62.6%	67.6%
Montana	77.8%	77.8%
Nebraska	77.3%	77.3%
Nevada	2.3%	7.3%
New Hampshire	29.7%	34.7%
New Jersey	67.0%	72.0%
New Mexico	61.7%	66.7%
New York	43.9%	48.9%
North Carolina	63.7%	68.7%
North Dakota	56.6%	61.6%
Ohio	53.9%	58.9%
Oklahoma	68.1%	73.0%
Oregon	61.1%	66.1%
Pennsylvania	31.5%	36.5%
Rhode Island	42.1%	47.1%
South Carolina	65.2%	70.2%
South Dakota	71.7%	73.0%

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Tennessee	38.9%	43.9%
Texas	65.2%	70.2%
Utah	53.2%	58.2%
Vermont	58.1%	63.1%
Virginia	44.0%	49.0%
Washington	69.2%	73.0%
West Virginia	61.7%	66.7%
Wisconsin	81.7%	81.7%
Wyoming	82.0%	82.0%
Puerto Rico	38.7%	43.7%
Alaska	0.0%	5.0%
Hawaii	0.0%	5.0%
Guam	0.0%	5.0%
Virgin Islands	0.0%	5.0%

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Attachment A, Exhibit C
(Revision 1)

FARMER PROGRAMS - ACQUIRED PROPERTY INVENTORY
 ACQUIRED ON OR BEFORE JUNE 30, 1989
 SOURCE: FOCUS FILE ACQD DEVELOPMENT: JJT
 REPORT COMPILED 12/22/89

STATE	TOTAL INVENTORY	CURRENTLY LEASED PROPERTY	INVENTORY AVAILABLE FOR SALE	SUITABLE PROPERTIES	SURPLUS PROPERTIES	PROPERTIES NOT CLASSIFD
AL	18	2	16	12	4	0
AZ	47	0	47	21	26	0
AR	76	5	71	49	18	4
CA	79	15	64	38	23	3
CO	163	34	129	105	15	9
CT	2	0	2	0	2	0
DE	3	0	3	3	0	0
FL	91	4	87	56	28	3
GA	84	13	71	50	19	2
ID	144	16	128	93	25	10
IL	78	17	61	45	14	2
IN	44	11	33	25	7	1
IA	294	69	225	201	14	10
KS	247	57	190	168	6	16
KY	31	1	30	22	4	4
LA	156	13	143	114	24	5
ME	14	1	13	5	4	4
MD	11	1	10	6	3	1
MA	2	0	2	2	0	0
MI	165	27	138	97	33	8
MN	244	58	186	156	20	10
MS	350	13	337	240	90	7
MO	369	39	330	301	10	19
MT	37	8	29	23	5	1
NE	137	18	119	113	3	3
NV	11	1	10	9	0	1
NJ	1	0	1	1	0	0
NM	38	4	34	30	3	1
NY	131	10	121	88	23	10
NC	134	13	121	87	24	10
ND	198	30	168	159	2	7
OH	7	2	5	3	1	1
OK	179	9	170	142	24	4
OR	67	15	52	42	7	3
PA	31	8	23	13	8	2
RI	1	0	1	0	1	0
SC	50	8	42	30	10	2
SD	193	40	153	146	1	6
TN	154	8	146	122	22	2
TX	61	1	60	46	11	2

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UT	15	4	11	6	5	0
VT	2	0	2	2	0	0
VA	18	1	17	12	5	0
WA	81	1	80	65	12	3
WV	16	1	15	13	2	0
WI	212	18	194	163	15	16
WY	28	7	21	19	2	0
HI	1	0	1	1	0	0
PR	22	1	21	18	3	0